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IRS AND PRIVATE SECTOR ENHANCE FRAUD DETECTION EFFORTS

WASHINGTON -- The Internal Revenue Service is signing agreements with various electronic filing providers in the private sector to test improved methods of detecting fraudulent tax returns. Preparers will use enhanced tax software to facilitate their screening process and report potentially abusive returns to the IRS.

Because of their enhanced fraud detection efforts, test participants will be eligible to have a debt indicator added to their clients' electronic filing confirmations. This debt indicator will show whether or not a taxpayer's refund will be reduced because of unpaid back taxes or other debts, such as student loans or court-ordered child support.

Participants will receive debt indicators only for clients who have a refund-related loan or check arrangement. Financial institutions use the indicator in deciding whether to make a loan that will be secured by the expected tax refund.

"We welcome all IRS *e-file* providers to take part in enhancing both our fraud detection and customer service efforts," said Robert E. Barr, IRS Assistant Commissioner for Electronic Tax Administration.

In addition to the agreements already made, the IRS is letting e-file providers -- electronic return transmitters, software developers, financial institutions and tax preparers -- join the test through an e-mail application process. Details are available in the "Electronic Services" section of the IRS Web site, www.irs.gov. The IRS will conduct the test during 2000, with an option to continue it during 2001.

The IRS will post participants' names on its Web site as agreements are signed. Providers typically partner with one another to develop a program offer. Tax return preparers may be covered under the agreements made by their transmitters, software developers, or financial institutions. They will not each have to sign an agreement with the IRS, but must abide by the terms of the agreement under which they are covered.

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